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TAGS: [ENRG](#) [ECON](#) [UP](#) [RS](#) [NL](#)
SUBJECT: NETHERLANDS/RUSSIA-UKRAINE GAS: ALSO COUNSELING
COMPROMISE

REF: A. 2005 STATE 229253
[1](#)B. 2005 THE HAGUE 3075

Classified By: Econ Counselor Richard Huff for reasons 1.4 (b) and (d).

1) (C) Summary: The Dutch Economic Ministry's Deputy Director General for Energy Pieter Bot told econoff his embassies in Moscow and Kiev have been counseling reftel A's same message of compromise and reform, respectively. While Bot believed Ukraine's version of events over Russia's, he worried that Gazprom's allegations of gas theft could have merit. Russia's and Ukraine's secret gas contracts and pricing formulas are at the heart of the dispute, but Russia's actions were clearly politically motivated, he added. While the Netherlands receives less than five percent of its gas from Russia, Dutch investment in the Russian energy sector is substantial. End Comment.

[1](#)2. (C) On January 3 econoff made reftel demarche to Pieter Bot, Deputy Director General for Energy and Telecommunications, Ministry of Economic Affairs.

[1](#)3. (C) Bot said that the GONL has been making ref A demarche points in Moscow and Kiev, as well as in consultations with fellow EU member states. In his view the Ukraine and Russia are trying to use complicated and ambiguous price formulas in their secret gas contracts to their own advantage. Bot said that the contracts probably allowed significant price hikes, but also said Russia had created the crisis to influence Ukraine's parliamentary elections. His embassy in Kiev has had frank talks with Ukraine energy officials, and the GONL tends to believe Ukraine's version of events over the Russia's. Consequently, the GONL is taking a dim view of Russian actions.

[1](#)4. (C) While Bot was encouraged that Russia had resumed gas shipments to Ukraine, he was concerned that Russia's accusations of gas theft could have merit and would poison ongoing negotiations. The Dutch embassy in Kiev, he said, had reported that a twelfth-hour compromise to allow Turkmen gas to replace Gazprom's supplies to Ukraine had fallen through, raising question about Ukraine's claims to have been taking receipt of Turkmen gas on January 1. However, Gazprom has also leveled accusations of theft in the past, he noted, without elaborating. This time the allegations would have to be addressed if the two sides are to settle the current disagreement. He believed the secretariat of the European Energy Charter might be the appropriate organization to investigate the veracity of theft charges.

[1](#)5. (C) Bot did not know what the EU energy experts would decide at their January 4 meeting, but he thought greater transparency in secret gas contracts between Gazprom and

Ukraine would be key to any solution. Bot suggested the IEA or even the Stockholm Institute for Arbitration could play a key mediating role.

16. (C) Comment: The Netherlands is not concerned about their gas supply - it gets less than five percent of its natural gas from Russia. Instead, GONL and private sector energy officials seem to share a latent distrust of Russian energy sector legal protections, with Yukos lawsuits playing out in Amsterdam's courts and Shell Oil disputing Russian revenue demands from the over-budget Sakhalin-II project.

17. (C) Comment, Cont. Nevertheless, Dutch companies are forging ever closer links to Russian energy. Dutch LNG company Gasunie is considering investing in the new German-Russian Baltic pipeline and Shell is buying into Gazprom's Siberian gas fields. Bound to - but leery of - further investment in Russia's energy sector, the Dutch might join efforts to pressure Russia for energy sector reforms in the wake of this crisis.

18. (C) Comment, cont. At his meeting with the Deputy Secretary in October, Foreign Minister Ben Bot invited

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Zoellick to a high-level trans-Atlantic energy security conference scheduled for February 6-8 (reftel B). Bot hopes the conference, which would target EU commission and member state officials, think tanks, senior energy executives, as well as Turkey's prime minister, NATO the IAE, would lead to a sustained trans-Atlantic conversation on energy security. Such a conference could be even more pertinent now in light of developments in the Ukraine. End Comment.

BLAKEMAN